

Message Text

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ACTION NEA-05

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R 020809Z MAY 74

FM AMEMBASSY KUWAIT

TO USDOC WASHDC

INFO SECSTATE WASHDC 9445

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

UNCLAS KUWAIT 1707

BEIRUT FOR COMMATT, DWOR, AND LEFEAVER

E.O. 11652: N/A

TAGS: BMEP, BEXP, BTRD, ETRN, KU

SUBJ: FMC WINS CARGO-BAGGAGE HANDLING CONTRACT

REF: (A) KUWAIT 1381 (B) KUWAIT 1554

SUMMARY: FMC MATERIALS HANDLING SYSTEMS DIVISION JUST UN-OFFICIALLY AWARDED CONTRACT WORTH KD3.1 MILLION (KD1 EQUALS \$3.38) TO CONSTRUCT AND EQUIP A CARGO AND BAGGAGE HANDLING SYSTEM FOR KUWAIT AIRPORT. ALTHOUGH TENDER CLOSED IN MID-DECEMBER WITH FMC AS LOWEST QUALIFIED BIDDER, AWARD OF THE CONTRACT WAS IN DOUBT UNTIL VIRTUALLY LAST MINUTE. TWICE IT APPEARED FMC'S OFFER WOULD BE UNDERCUT BY ALTERNATIVE OFFERS SUBMITTED BY WEST GERMAN FIRMS. HOWEVER, FMC, EMBASSY AND LOCAL AGENT WORKED CLOSELY TOGETHER TO INSURE FMC'S OFFER RECEIVED PROPER CONSIDERATION. BELIEVE THIS CONTRACT AWARD FOLLOWING ON HEELS CURTISS-WRIGHT SUCCESS IN WINNING GAS POWER PROJECT CONTRACT FROM GOK, CLEARLY DEMONSTRATES US FIRMS NEED NOT FEAR EXTERNAL POLITICAL PROBLEMS INTERFERING WITH AWARD OF GOK CIVILIAN CONTRACTS. EMBASSY INTENDS TO DO STORY FOR MIDDLE EAST AMERICAN NEWSLETTER. END SUMMARY.

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1. FMC REPS, WILLIAM PAVLAK AND FRED FAVRE, INFORMED EMBASSY APRIL 30, THEY HAVE FINALLY RECEIVED COMMITMENT FROM GOK MINISTRY OF PUBLIC WORKS TO AWARD THEM AN APPROXIMATELY \$11 MILLION CONTRACT TO CONSTRUCT AND EQUIP CARGO AND BAGGAGE HANDLING SYSTEMS FOR THE NEW KUWAIT INTERNATIONAL AIRPORT TERMINAL. SINCE FMC LINKBELT DIV. SUBMITTED THEIR TENDER OFFER IN MID-DECEMBER WHICH, AT THAT TIME, WAS ONLY FOR A CARGO HANDLING SYSTEM, THEY HAVE FACED MANY OBSTACLES AND UNCERTAINTIES WHICH COULD WELL HAVE DETERRED A LESS-DETERMINED COMPANY. WHILE FMC HAD BEEN KNOWN TO BE LOWEST QUALIFIED BIDDER SINCE EARLY JANUARY, THE AWARD OF THE TENDER HAD BEEN IN DOUBT UNTIL APRIL 30 WHEN THEY WERE TOLD THEY HAD WON; ALTHOUGH FINAL COMPLICATIONS COULD STILL ARISE.

2. MPW INITIALLY INFORMALLY INVITED THE WEST GERMAN FIRM MANNESMAN, WHICH HAD BID A MILLION DINARS LOWER THAN FMC BUT HAD BEEN DISQUALIFIED FOR FAILURE TO COMPLY WITH CERTAIN LEGAL REQUIREMENTS, TO GO OVER THEIR OFFER WITH THE MINISTRY'S TECHNICAL PERSONNEL. THIS WAS DONE WITH A VIEW TO CANCELLING THE TENDER AND GOING INTO FORMAL NEGOTIATIONS WITH MANNESMAN. FORTUNATELY, MANNESMAN'S OFFER WAS FOUND TO BE GIVEN SERIOUS CONSIDERATION UNTIL THEY VOLUNTARILY RETIRED FROM THE SCENE BECAUSE OF THEIR INABILITY TO MAKE PROFIT AT THE PRICE TO WHICH THEY HAD APPARENTLY COMMITTED THEMSELVES.

3. MEANWHILE, FMC, THE EMBASSY, AND THE LOCAL AGENT, ALL MADE REPRESENTATIONS TO THE MINISTRY TO PERMIT THE MINISTRY'S TECHNICAL PERSONNEL TO GO OVER THE OFFER WITH FMC'S REPS PRESENT AS IS NORMALLY DONE WITH COMPANY MAKING LOWEST BID. THIS WAS FINALLY DONE, BUT AT INITIATIVE OF FMC AND NOT MPW. AFTER THIS MEETING FMC WAS ALSO REQUESTED TO SUBMIT A BID FOR THE BAGGAGE HANDLING SYSTEM BECAUSE THE PREVIOUS BIDS RECEIVED WERE CONSIDERED TOO HIGH.

4. FINALLY ON APRIL 9, THE NATIONAL ASSEMBLY PASSED A SUPPLEMENTAL APPROPRIATION FOR THE AIRPORT PROJECT BRINGING THE FINAL BUDGET UP TO KD 31 MILLION (KD1 EQUALS \$3.38) AND ALLOWING THE MINISTRY TO PROCEED WITH CONTRACT AWARDS. CONTEMPORANEOUSLY, THE EMBASSY LEARNED A SMALL GERMAN FIRM WILHELM NOLDE HAD SUBMITTED A LAST-MINUTE OFFER FOR THE CARGO AND BAGGAGE HANDLING

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SYSTEMS WHICH AGAIN WAS SUBSTANTIALLY LOWER THAN FMC BID. UPON HEARING THIS FMC REPS VISITED KUWAIT FOR FOURTH TIME AND WERE TOLD BY MPW THEY WOULD BE ALLOWED TO MAKE ONE FINAL BID ON PROJECT WHICH WOULD BE NON-NEGOTIABLE. THE IMPLICIT THREAT WAS THAT THE TENDER WOULD BE CANCELLED AND THE CONTRACT AWARDED TO ANOTHER FIRM IF THE PRICE OFFERED WAS UNSATISFACTORY. FMC REPS WORKED NIGHT AND DAY FOR SEVERAL DAYS STUDYING THEIR OFFER WITH A VIEW TO CUTTING PRICE WHEREVER POSSIBLE. UPON

OPENING THIS OFFER, THE MINISTRY'S UNDERSECRETARY INFORMALLY ACCEPTED FMC'S PRICE AND TOLD THEM PROJECT WAS THEIRS. IT NOT CLEAR IF MPW WAS SERIOUSLY CONSIDERING NOLDE OFFER OR SIMPLY USING IT AS LEVERAGE TO GET BEST PRICE POSSIBLE ON PROJECT IN WHICH MPW HAS BEEN UNDER CONSIDERABLE PRESSURE FROM NATIONAL ASSEMBLY TO KEEP PROJECT COST IN BOUNDS.

4. COMMENT: THROUGHOUT, FMC, LOCAL AGENT, AND EMBASSY WORKED CLOSELY TOGETHER IN DEVELOPING COMMERCIAL INTELLIGENCE AND FORMULATING STRATEGY TO WIN CONTRACT. EMBASSY WAS EXTREMELY PLEASED WITH FMC'S APPROACH. THEY CONFORMED TO KUWAITI LEGAL AND TECHNICAL REQUIREMENTS, MAINTAINED CLOSE PERSONAL CONTRACT AT EVERY STAGE WITH THE MINISTRY, AND REMAINED FLEXIBLE WHEN CONFRONTED WITH NECESSITY OF MODIFYING THEIR ORIGINAL OFFER. INSHORT, THEY FOLLOWED BOOK FOR DOING BUSINESS IN KUWAIT. BELIEVE THIS TENDER AWARD ALONG WITH CURTISS-WRIGHT SUCCESS ON RECENT GAS POWER PROJECT TENDER SHOULD DEMONSTRATE TO U.S. FIRMS THAT WHILE TENDER PROCEDURES ARE RARELY EASY, US COMPANIES ARE NOW MORE COMPETITIVE THAN EVER AND NEED NOT FEAR ANY EXTERNAL POLITICAL COMPLICATIONS ENTERING INTO AWARD OF GOK CIVILIAN CONTRACTS.

5. FOR BEIRUT: EMBASSY WILL PROVIDE STORY FOR MIDDLE EAST AMERICAN ON BOTH FMC AND CURTISS-WRIGHT SUCCESSES.
STOLTZFUS

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